

EXPORT ADMINISTRATION ACT 1999 REPORT-AGRICULTURAL COMMODITIES

WHEAT

Domestic Situation

United States' wheat production in 1998/99 reached 69.3 million tons, the highest level in nearly ten years. Prices were historically low due to the bumper harvest and ample carry-in stocks. The season average farm price was \$2.65 per bushel, down 70 cents from 1997/98. Global trade was largely unchanged from the previous year, however U.S. exports were 1 million tons higher due to lower exportable supplies in our competitors. Despite more exports and continued strong domestic utilization, U.S. ending stocks were at the highest level in recent years.

World Supply and Trade

Global wheat trade in 1998/99 is estimated at 101 million tons, largely unchanged from the 1997/98 level. World production is estimated at 588 million tons, down 21.5 million from the previous year's record. A decrease of 3 million tons occurred in Argentina, while Canada's crop was relatively unchanged. The European Union produced a record crop (103 million tons), while Australia's crop was nearly 3 million tons higher. Stagnant import demand was mostly attributed to higher production in several key import markets including most of North Africa, Iran, and Pakistan. Global consumption reached a record level and for the first time in three years, was above production. Consequently, global ending stocks were drawn down 3 million tons, to 136 million.

COARSE GRAINS

Domestic Situation

United States' coarse grains production in 1998/99 reached 272 million tons, up 11 million from the previous years. Domestic consumption declined nearly 2 million tons to 205 million over the same period. U.S. stocks were 51.6 million tons, an increase of over 13 million. Coarse grains exports recovered from a downward trend, rising nearly 14 million to 57.6 million, largely the result of less export competition from our competitors.

World Supply and Trade

World coarse grain production in 1998/99 was 889.7 million tons, increasing almost 7 million from the previous year. Stock estimates rose 17.5 million to 154 million, primarily due to China. Global consumption was 872 million falling from the 1997/98 level of 875.4 million.

Global coarse grains trade rose to 96.5 million tons in 1998/99 nearly 11 million tons higher than in 1997/98. The increase is mainly due to higher demand for feed by the drought-stricken Middle East and North Africa, higher demand for corn by recovering Asian countries as they continue to

recover, and increased corn imports by Russia as part of U.S. concessional sales program.

Some exporters suffered export declines in 1998/99. Argentina corn exports fell 4.5 million tons to 8.2 million because of lower production and higher domestic use and Chinese corn exports dropped 2.8 million tons to 3.3 million due to low world prices. Canadian barley exports dropped to 1.3 million tons, down 650,000 from the previous year's estimate. Despite a lower crop, Australian barley exports rose by 1.3 million tons to 4.1 million due to higher global demand.

RICE

Domestic Situation

U.S. area devoted to rice production grew by over six percent in 1998/99, boosting U.S. rice production (rough basis) by 228,000 tons over the previous year, to 8.5 million. Domestic utilization and exports (milled basis) also grew, reaching 3.9 million, and 2.7 million, respectively. Carry-out stocks fell to 717,000 tons, a decline of 162,000.

World Supply and Trade

Global rice production (rough basis) is forecast to climb to a record 581 million tons in 1998/99. The increase is due, in part, to post-El Nino production increases in Brazil, Indonesia, and the Philippines, the importers whose demand fueled record trade in 1998 due to weather induced crop shortfalls. India, Vietnam, and Pakistan also had larger crops. World trade surged to 27.3 million tons in 1998, an increase of 8.5 million over the 1997 level. In 1999, however, global trade is expected to decrease by almost 3.0 million tons to 24.3 million, as Brazil, Indonesia, and The Philippines increase domestic production. Thailand retained its position as top rice exporter in the world in 1998, followed by India, China and Vietnam. In 1999, the United States is expected to be among the top rice exporters, moving into the number three position behind Thailand and Vietnam.

SOYBEANS AND PRODUCTS

Domestic Situation

Facing a sluggish export market and anticipating lower prices for all major agricultural commodities during 1998/99, many farmers continued to find soybeans more attractive than competing crops triggering a record year for U.S. soybeans. During the 1998/99 marketing year (September-August) farmers scaled back wheat, corn, and sorghum crops, while increasing soybean acreage to 72 million acres, 2 million acres above the previous year's record. Despite experiencing drought conditions late in the growing season, the average soybean yield matched the second highest yield on record of 38.9 bushels per acre set in 1997/98.

Harvesting over 70.4 million acres, U.S. farmers produced 74.6 million tons of soybeans,

1.4 million tons above the record set in 1997/98. The U.S. season average price for 1998/99 slipped to \$5.00 per bushel from \$6.47 per bushel in 1997/98 due primarily to burdensome world supplies. Although lower prices stimulated sales to some countries in Asia, U.S. soybeans encountered increased foreign competition in many markets overseas, dropping soybean exports to a five year low of 21.8 million tons, 8 percent below the previous year.

Although, U.S. soybean crush fell just 200,000 metric tons short of equaling last year's record crush of 43.5 million tons, increased oilseed production in South America and the European Union (EU) pressured market prices for soybean meal and oil. Abundant supplies and low crushing margins hampered the crushing industry as ending stocks soared to an all-time high of 9.5 million tons, 4.1 million tons above last season's stocks.

Soybean meal exports fell by 2 million tons in 1998/99 from 8.5 million tons during the 1997/98 marketing year (October - September). U.S. soybean meal disappearance increased to 27.7 million tons during 1998/99 from 26.2 million tons in 1997/98 due in part to alarmingly low prices and a surge in poultry feed consumption. Soybean meal prices fell to their lowest levels since the early 1960s, dropping \$52 per metric ton from the previous year to \$153 per metric ton.

Large world vegetable oil supplies and volatile prices confronted U.S. soybean oil suppliers. Contending with a rebound in palm oil production and China's shift in trade policy from importing vegetable oil to oilseeds, U.S. soybean oil exports dropped 300,000 metric tons to 1.1 million tons in 1998/99. Soybean oil prices also decreased from 25.8 cents per pound to 19.9 cents over the same period while U.S. soybean oil consumption remained firm at about 7.1 million tons during 1998/99.

World Oilseeds and Products Supply and Trade

World oilseed production in 1998/99 increased by 6.7 million tons over the previous year's production to 293.6 million tons. Production increased for all major oilseed crops except cottonseed and copra. Rapeseed recorded the largest production increase of 3.4 million tons to 36.7 million tons due to larger harvests in Poland, Australia, Canada, the United States, and India. Sunflowerseed production increased by 2.6 million tons to 25.9 million tons in 1998/99 as Argentina, the United States, and Russia harvested larger sunflowerseed crops. World soybean production, representing over half of total oilseed production, increased by about 860,000 metric tons to 158.9 million tons during 1998/99 primarily due to bumper crops in the United States, Argentina, and Brazil.

World oilseed crush topped 237.8 million tons in 1998/99, 10.4 million tons above 1997/98 as crushing intensified in China, India and Argentina. World soybean crush represented the largest increase of all oilseeds at 6.7 million tons reaching 132.7 million tons during the same period. With an increase in crush for 1998/99, particularly in South America, world soybean exports fell to 39 million tons, more than 500,000 tons lower than the previous year as countries in the EU, Asia, and the Middle East, increased soybean meal imports. World ending stocks for oilseeds increased by 3.8 million tons to 28.5 million tons in 1998/99 as ending stocks for soybeans climbed 2.7 million

tons to 24.3 million tons.

World protein meal production increased from 155.1 million tons in 1997/98 to 163.1 million tons in 1998/99 while world exports of protein meal increased by 2.7 million tons to 54.5 million tons over the same period. Soybean meal accounted for the bulk of the increase as Brazil, Argentina, China, and India, stepped-up production. Argentina's exports and the EU's imports of soybean meal surged. World soybean meal consumption increased as large hog herds in the United States and the EU helped boost meal demand.

Increased production of soybean and palm oil pushed world vegetable oil production to 81.3 million tons in 1998/99 from 76.3 million tons in 1997/98. World vegetable oil prices were led lower by palm oil as production increased dramatically in Malaysia and Indonesia. In addition, abundant availabilities of high-oil content oilseeds such as rapeseed and sunflowerseed, during 1998/99 also pressured the oil market as the EU, Canada, and China increased rapeseed oil production while Argentina, Russia, and the United States increased sunflowerseed oil production.

As world vegetable oil prices fell consumption grew to 80.4 million tons in 1998/99 from 75.9 million tons in the previous year due in part to increased consumption in India, Pakistan, and the EU. During this period India displaced China as the world's largest importer of vegetable oil by importing to 4.1 million tons, up from 1.9 million tons in 1997/98. World exports continued an upward trend from 29.8 million tons in 1997/98 to 31.2 million tons in 1998/99 as increases in soybean and palm oil exports led all vegetable oils.

COTTON

Domestic Situation

Cotton production in MY 1998/99 was 13.92 million bales, down 26 percent from the previous season. The decrease was primarily due to adverse weather conditions with the highest abandonment rate since 1933. High abandonment and reduced yields resulted in a nine-year U.S. cotton crop low. Upland cotton production, at 13.48 million bales, was 4.77 million bales below the 1997/98 level. American Pima production totaled 442 thousand bales, down 19 percent from 1997/98.

The area planted to all cotton totaled 13.07 million acres, a 6 percent decrease from the previous year. Harvested area, at 10.45 million acres, was down 22 percent up from the previous year. Abandonment of upland cotton acreage during 1998/99 totaled 20 percent, up from 3.6 percent a year earlier. Upland yields averaged 625 pounds per acre, 48 pounds below yields realized the previous year.

Total cotton mill use during 1998/99 was 10.4 million bales, down from 11.35 million the previous year. Upland cotton use, at 10.25 million bales, was down 9 percent. American Pima mill use was estimated at 147 thousand bales, up 28 percent. Total marketing year 1998/99 exports are estimated at 4.34 million bales, down 42 percent from the previous season. According to FAS data, the top

six markets during 1998/99 were Mexico, Japan, Korea, Canada, Singapore, and Hong Kong. Ending stocks for 1998/99 were estimated at 3.9 million bales, up 1 percent from the previous year.

International cotton prices in 1998/99 were lower than the previous season, with the Cotlook A-Index (average of 5 lowest CIF North Europe quotes) average of 58.83 cents per pound. The A-Index was at its highest monthly level in August 1998, the beginning of the marketing year, with a monthly average of 68.16 cents per pound, while the season's lowest prices were in July 1999 when the A-Index averaged 54.41 cents per pound.

World Supply and Trade

World 1998/99 cotton production is estimated at 84.5 million bales, down 8 percent from the previous season. Foreign production is estimated at 70.6 million bales, down 3 percent. The 1998/99 season was characterized by a small crop in the United States, which accounted for two thirds of the total world decrease in production. Production in other major exporting countries was down, except for Australia and India. Production in major importing countries was largely unchanged.

World consumption for 1998/99 is estimated at 85 million bales, down 4 percent from the previous year. The major decrease in consumption was in the United States. Decreases in consumption were seen in most major markets, with the exception of modest increases in Indonesia, Korea, and Mexico. World exports for 1998/99 totaled 23.51 million bales, down 12 percent from the previous year. Decreased exports were seen in all major export markets, except Argentina.

World ending stocks for 1998/99 are estimated at 41.96 million bales, 3 percent higher than the previous year. Significant ending stock increases in China, India, Brazil, Pakistan, and Australia were offset somewhat by decreases in the EU and other markets.

HIDES AND SKINS

Domestic Situation

U.S. production of bovine hides in 1999 is forecast at 999,000 tons, up slightly from 1998, reflecting increased slaughter rates. For 2000, production is projected to fall 5 percent to 950,000 tons as cattle slaughter is expected to decline. This would be the lowest U.S. production since 1994. The United States continues to dominate the world hide market, exporting almost 45 percent of its production, mostly in the form of whole cattle hides. According to the U.S. Bureau of the Census, exports during 1998 totaled 18 million whole cattle hides, a 6-percent drop from 1997, valued at \$870 million. This 23 percent drop in value was caused by depressed prices throughout the mid and latter part of 1998. These low prices continued till mid-1999, lowering the January-August export value of whole hides to \$552 million, a 10 percent decline compared to the same period in 1998. By October, however, hide prices had risen 23 percent which should improve profitability and export value in the final quarter.

World Supply and Trade

Production of hides and skins among those countries tracked by the USDA declined for the third successive year in 1999. Production gains in the United States, Brazil, Argentina, and China were more than offset by lower production in the European Union, Eastern Europe, Australia, and Russia.

Production is forecast still lower in 2000 as cattle slaughter is expected to decline 1 percent, most significantly in North America, Russia, and the European Union.

WOOD PRODUCTS

Domestic Situation

In 1998, the inflation adjusted value of new construction put in place increased by 5 percent from \$520 billion in 1997 to a record level of \$545 billion. New residential construction, which generally accounts for more than one-third of the softwood lumber and structural panel products and a substantial portion of other wood products consumed annually in the United States, is expected to be up by a record 3 percent in 1999 on an inflation-adjusted basis. Residential housing starts are expected to total 1.70 million units in 1999 as compared to 1.65 million units in 1998.

Prices of softwood products peaked in the first half of 1999 then fell by 20 percent between July and September because of continued weakness in the softwood log, lumber and panel products export markets in Japan and Korea. U.S. panel product exports also declined significantly due to increasing EU self-sufficiency and growing competition from South American suppliers. The Asian market crisis and strong U.S. dollar also prevented the growth of new demand in other markets, including Southeast Asia and Taiwan. The weakened Canadian dollar and static world market also pushed U.S. softwood imports to record levels, depressing domestic prices still further, especially for higher grades of product. Softwood product prices are expected to remain at current levels in 2000 as new housing demand is expected to undergo a slight contraction and as Asian construction may be slow to rally.

In contrast, prices of hardwood products continued to rise in 1999 due to strong domestic housing demand and the need for the requisite paneling, flooring, and furniture products. Exports of hardwood lumber fell slightly in 1999 as competition from new production in Western Europe and a massive entry by Russia impacted the world market. Hardwood lumber exports, however, continue to remain the most important commodity, having overtaken softwood logs in 1997. By contrast, Asia's importance as an export market has grown rapidly as major Southeast Asian hardwood suppliers continue to suffer from poor market conditions regionally and poor management conditions domestically.

The United States and Canada entered into an agreement in 1996 that caps Canadian tax-free exports to the United States at 14.7 billion board feet annually. Under the terms of the Agreement, 14.7 BBF

of softwood lumber (and certain other softwood lumber products, such as molding) from British Columbia, Alberta, Ontario and Quebec can be exported annually to the United States tax-free. The quota is allocated to individual firms. Softwood lumber volumes in excess of 14.7 BBF and up to 15.35 BBF are assessed an export tax of U.S. \$50 per thousand board feet (MBF), while volumes in excess of 15.35 BBF are assessed U.S. \$100/MBF. The maritime provinces, Manitoba, and Saskatchewan are exempt from the export tax. U.S. imports of Canadian softwood lumber reached 17.884 in 1998, up slightly from the 17.24 BBF imported in 1997. Imports from Canada in 1998 accounted for a 97 percent share of the U.S. softwood lumber imports and a 33 percent share of U.S. softwood lumber consumption. Imports in 1999 are expected to increase to 18.067 BBF as strong U.S. housing demand and a weak Canadian dollar propel trade.

Three years into the Agreement, there are still problems related to implementation, most notably British Columbia's (BC) decision in 1998 to lower stumpage fees (price for standing timber) to help its ailing forest products industry, and the U.S. decision in late 1998 and earlier this year to reclassify certain lumber products (drilled, notched and rougher headed lumber) into a tariff heading covered by the terms of the Agreement. On August 26, 1999, the U.S. and Canada reached an agreement to offset BC's stumpage fee reduction; softwood lumber exports from BC will be subject to a new fee of U.S. \$146.25/MBF when exports of U.S. \$50 and \$100 lumber exceed a certain level. Canada has requested consultations on U.S. Customs' decision to reclassify notched lumber, and arbitration on U.S. Customs' decision to reclassify rougher headed lumber.

Softwood lumber imports from Canada in 1998 were valued at \$5.9 billion; imports through the first eight months of this year totaled \$4.6 billion, compared to \$4.0 billion over the same period last year. (FYI, lumber accounts for about 3 percent of the cost of a new home.) The Agreement is set to expire on April 1, 2001.

U.S. wood products exports are estimated at \$6.0 billion in 1999, \$200 million greater than 1998. U.S. export growth is slowed by the stalled Asian market on the one hand and greater European competition in hardwoods and greater South American competition in softwoods on the other. Throughout the decade, Asia has received the lion's share of U.S. solid wood exports, with Japan alone receiving 45 percent or \$3.0 billion annually. Sales to Asia, however, are expected to remain well below their historic levels for the remainder of 1999 and into 2000 due to stagnant demand, credit restructuring, a strong dollar and consumer conservatism. U.S. exports to Japan in 1999 will remain unchanged after hitting a ten-year low in 1998. Hardest hit will be softwood logs and lumber because of a sluggish market in Japan, with starts at 1.3 million units in 1999, well below the near-record level of 1.6 million units in 1996, and significant new competition from Russia, Scandinavia and New Zealand.

U.S. exports to other Asian countries showed mixed returns in 1999. Korean demand rebounded with a 50 percent increase, but is still well below the traditional level of \$300 million for U.S. products. In contrast, U.S. hardwood products are expected to reach a record \$110 million in 1999 to greater China as the Government of China continues to lower tariffs and liberate furniture and interior panel manufacturers from onerous regulatory requirements. Sales to Asia outside of Japan

in 2000 may show signs of mild recovery as China's import tariffs fall as a result of its accession to the World Trade Organization and Southeast Asian manufacturers tool up to supply the North American furniture market.

U.S. exports of value-added wood products to the North American region are expected to remain strong in 1999. U.S. exports to Canada, virtually tied for first place with Japan, are expected to reach a record \$1.6 billion in 1999, up four percent over those of 1998. The United States furnishes no less than 87 percent of Canada's solid wood import needs.

U.S. exports to Mexico are projected to grow slightly over 1998's strong posting of \$367 million. As the third largest trading partner of the United States, Mexico's demand for U.S. product for further processing to service the world's largest furniture and interior panel buyer -- the United States -- is expected to remain robust through 2000. U.S. exports to the Caribbean may beat a retreat from 1999's record \$300 million as the region's housing economy finishes its recovery from the damage sustained in the 1998 storm season.

U.S. exports to the EU, however, fell by \$100 million in 1999 and trade is expected to decline slightly in 2000. Greater domestic capacity, a growing consumer preference for wood products harvested from sustainably managed forests, and rapidly growing competition from Eastern Europe and Russia make market retention increasingly difficult in the EU.

Softwood log exports continued to stagnate in 1999 with exports remaining relatively unchanged from 1998's ten-year low of \$905 million. Despite somewhat lower U.S. prices, stagnant economies in East Asia and rapidly growing competition from other softwood suppliers worldwide will block a recovery in sales to this market. Hardwood log exports are expected to remain steady at \$310 million in 1999 in 2000, virtually unchanged from the record \$307 million shipped in 1997. The U.S. share of worldwide log exports fell; with the U.S. recording a 14.8 percent share of world exports in 1998, significantly lower than the 16.3 percent share received in 1997.

U.S. wood product imports are expected to reach a record \$15.7 billion in 1999 and marked the seventh increase in almost as many years. The United States also for the second year in a row remained the world's largest importer of solid wood products. For the second time in recent history, total U.S. solid wood imports will exceed those of Japan because of the continued weak housing market in Japan and the continuing extremely robust U.S. housing market. Strong domestic demand has resulted in record high demand for molding, veneer, builders' carpentry and many other value-added products. Softwood lumber continues as the leading import commodity, with a share of 45 percent or \$7 billion. Import demand for the two unprocessed commodities, logs and chips, is expected to remained unchanged with total imports forecast to reach \$120 million in 1999.

Another impact of the record U.S. demand and stagnating Japanese demand is that Canada for the second year in a row is now the world's largest value-added solid wood products exporter, with over 90 percent of its product destined for U.S. shores. The year 1999, however, has also witnessed the emergence of Russia as the world's largest exporter of both softwood and hardwood logs. Russian product has captured larger shares in both the European and Asian markets.

World Supply and Trade

Given the sharp increase in third-country competition, stagnant Asian demand and the strong rise in U.S. consumption and the U.S. dollar, the U.S. share of the global solid wood export market will continue to fall in 1999. These trends are expected to continue in 2000 as supplies from Russia, the world's largest softwood and hardwood exporter, continue to make inroads into price-sensitive Asian markets. Increasing softwood supplies are also expected to come on line in Germany, New Zealand, Latvia, and South America. Oriented strandboard production is also expected to reach record levels as more plants come on line in 1999 and 2000 in both hemispheres. Latvia, France Germany and the Central European countries are all expected to increase hardwood log, lumber, and panel production and export capacity in 1999 and 2000.

U.S. softwood supply, with the majority of timber locked up in Federally held stands, will continue to remain weak as the Federal harvest in 1999 is projected to be at its lowest level since 1950. The U.S. hardwood harvest, by contrast retained by over 90 percent in private sector lands, is expected to grow, but still at a rate less than production. The majority of hardwood output, however, will be consumed domestically as record high furniture and panel demand and high domestic prices make the home market the venue of choice for U.S. producers. The hardwood industry, relatively free from the impact of changing regulatory controls in the 1990's, however, may become increasing subject to regulation as Federal, State and local agencies respond to heightening public concern over land use and ecosystem management criteria.

Disagreements continued this past year over several issues relating to the implementation of the 1996 U.S.-Canada Softwood Lumber Agreement. Three years into the Agreement, there are still problems related to implementation, most notably British Columbia's (BC) decision in 1998 to lower stumpage fees (price for standing timber) to help its ailing forest products industry, and the U.S.' decision in late 1998 and earlier this year to reclassify certain lumber products (drilled, notched and rougher headed lumber) into a tariff heading covered by the terms of the Agreement. On August 26, 1999, the U.S. and Canada reached an agreement to offset BC's stumpage fee reduction; softwood lumber exports from BC will be subject to a new fee of U.S. \$146.25/MBF when exports of U.S. \$50 and \$100 lumber exceed a certain level. Canada has requested consultations on U.S. Customs' decision to reclassify notched lumber, and arbitration on U.S. Customs' decision to reclassify rougher headed lumber.

Actions Taken by Other Nations in 1998/99

AUSTRALIA: On August 24, 1999, the Australian Quarantine and Inspection Service (AQIS) informed stakeholders that it had initiated import risk analyses of coniferous logs and sawn timber from North America and wood packing material from Asia. AQIS estimates that the IRA processes for these commodities will take approximately 15 months from commencement to completion. AQIS will accept written comments on the type of process to be followed until close of business September 23, 1999. The August 24 announcement comes on the heels of an earlier announcement that AQIS would be inspecting every shipment of Douglas-fir, Hemlock, and Western Red Cedar

lumber over the next 6-12 months.

The Australian Quarantine and Inspection Service (AQIS) has initiated an import risk assessment on green, unseasoned lumber. Over the next 6-12 months, every shipment of Douglas fir, Hemlock, and Western Red Cedar will be inspected for insect infestation. Should inspections reveal high interceptions of pests and diseases, the importation of green lumber could be banned, accelerating an already decreasing market for the United States due to market share losses to Australian and New Zealand-produced lumber. The United States has already put in place kiln-dried and heat-treatment certification programs in Europe and Korea, which may also work for Australia. However, this would mean increased costs to U.S. producers.

CHINA: The Government of China announced on January 6, 1999, tariff reductions for 1,014 items, including solid wood products. All logs and lumber may now enter China duty-free and pallet/crates and wood for concrete forming may enter at 10 percent. In 1998, import duties for logs were 2 percent, lumber 3-9 percent, and 18-20 percent for the latter two commodities. Southeast Asian hardwood producers will also benefit as their weak currencies, well-recognized species, and proximity enable them to take advantage of the reduced tariffs. Tariffs are expected to fall further to an average level of 5-7.5 percent with its accession to the World Trade Organization on November 15, 1999. U.S. exports to China and Hong Kong reached \$130 million in 1998 and are expected to climb to \$160 million in 1999.

On November 1, 1999, China's State Administration for Entry-Exit Inspection and Quarantine (SAIQ) announced that all solid wood packing material (SWPM) leaving U.S. ports on or after January 1, 2000, will be subject to controls to prevent the further introduction and spread of pinewood nematode. Reports indicate that China was reluctant to consider additional transition time. The Chinese will require that all SWPM from the United States made from coniferous trees be heat-treated and accompanied by a phytosanitary certificate. 3,400 U.S. companies produce approximately 170 million coniferous wood pallets each year with an estimated value of \$1.1 billion, which comprises 28 percent of total wood pallet production.

JAPAN: The Building Experts Committee (BEC) and the Japanese Agricultural Standards (JAS) Technical Committee met in Tokyo, Japan, November 15-16, 1999. These committees were originally set up under the terms of the 1990 U.S.-Japan Wood Products Agreement to oversee the implementation of the standards-related portions of the agreement, and are comprised of representatives from government, industry and academia from the United States, Japan, and Canada. Discussions at the BEC and JAS meeting focused on recent and planned changes in Japan's Building Standard Law to make it performance-based and the JAS Law to allow foreign organizations to become Registered Grading Organizations and/or Registered Certification Organizations, respectively.

IFF: The Fourth Session of the Intergovernmental Forum on Forests (IFF) met May 3-14, 1999, in Geneva, Switzerland. The IFF was tasked by the United Nation's Special Session on Environment with promoting and facilitating implementation of proposals for action put forth by the

Intergovernmental Panel on Forests (IPF); reviewing, monitoring and reporting on progress in the management, conservation and sustainable development of forests; and considering matters left pending by the IPF in the areas of trade and environment, transfer of technology and the need for additional financial resources. The IPF also was tasked with identifying and working toward a consensus on the elements of possible international arrangements and mechanisms to cover forests, and with reporting its findings to the U.N. Commission on Sustainable Development in the year 2000.

Significant progress was made on a number of issues at the recent meeting, but no agreement was reached on IPF's overarching issue, i.e., whether a new global treaty on forests is needed, which in the minds of many developing countries is linked to the establishment of a new international fund for forests. The United States continues to believe that negotiations on a new global treaty would distract from activities underway bilaterally and regionally, as well as result in no real improvement in the forest situation, i.e., would result in standards that are lower than those that currently exist in many countries, including the United States.

INDONESIA: On March 16, 1999, the Government of Indonesia reduced the export tax on 13 commodities, including logs, sawn timber, railroad sleepers and veneer, by 10 percent, from 30 percent to 20 percent. The decision was in line with the IMF loan agreement. The amount of logs and sawn timber that can be exported is still determined by the Minister of Forestry and is set based upon the needs of the domestic wood products industry. Log exports are limited to 5.0 million cubic meters and sawn timber exports to 1.5 million cubic meters.

ITTO: The Twenty-Sixth Session of the International Tropical Timber Council (ITTC), the governing body of the International Tropical Timber Organization (ITTO), met in Chiang Mai, Thailand, May 28 - June 3, 1999. The ITTC took ten decisions covering a wide range of topics, primarily related to the functioning of the organization and ITTO's Year 2000 Objective, i.e., "having all tropical timber entering international trade come from sustainably managed sources by 2000." Updates were also provided on two studies which are underway, "Market Access Opportunities for International Trade in Tropical Timber," and the "Downturn in the International Tropical Timber Market."

MEXICO: The Customs Administration of Mexico has notified U.S. Customs that it is considering limiting imports of plywood to nine customs offices in Mexico because of continuing problems with valuations of plywood shipments. The nine customs offices are Ciudad Juarez, Mexico City, Nuevo Laredo, Manzanillo, Tijuana, Mexicali, Progreso, Ciudad Hidalgo, and Veracruz. According to the Customs Administration, 89 percent of the plywood entering Mexico enters through these offices. No effective date has been announced on when the new requirements would take effect. This action follows last year's announcement that plywood (as well as number of other products) would be subject to estimated import prices and importers would be required to post a bond with the Secretariat of Finance (Hacienda) if invoice prices were below estimated import prices.

NEW ZEALAND: New Zealand industry plans to invest more than US \$8.1 million into a new marketing ventured called Wood New Zealand (WNZ). The purpose of the new organization is to promote New Zealand wood in international markets by establishing an overseas presence. WNZ plans to open an office in Japan in 1999, with additional ones to follow in the United States, Southeast Asia, China and Korea. The overseas offices will provide members with market research, market intelligence, technical support and trade leads.

NORWAY: On November 9, 1998, the Norwegian Agricultural Inspection Service extended through 1999 the exemption allowing the importation of kiln-dried or heat treated coniferous lumber from Canada, China, Japan, Korea and the United States. Consignments must be accompanied by a phytosanitary certificate confirming that one of these two conditions has been met. Imports of other forms of coniferous wood (e.g. logs and air-dried lumber) from the above countries are prohibited because of concern over the pinewood nematode.

RUSSIA: On January 4, 1999, the Government of the Russian Federation (GOR) announced export duties of 10 percent on oak, ash and beech logs, lumber and molding. The export duties are intended to level the playing field for softwood and hardwood exporters. Hardwood products return more on international markets than comparable softwood products, but cost the same to produce. In a related action, on January 5, 1999, the GOR introduced licensing requirements for all hardwood products subject to the export tariff. The licensing requirements took effect February 15, 1999. Licensing is being implemented in order to reduce and control the number of companies exporting hardwood products.